

Message Text

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ACTION XMB-07

INFO OCT-01 EUR-25 ADP-00 AID-20 EB-11 NSC-10 RSC-01

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COME-00 FRB-02 INR-10 NSAE-00 OPIC-12 LAB-06 SIL-01

SAL-01 L-03 H-02 AGR-20 GAC-01 PRS-01 FMC-04 ACDA-19

RSR-01 /186 W

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R 091457 Z APR 73

FM AMEMBASSY WARSAW

TO SECSTATE WASHDC 3394

INFO AMEMBASSY VIENNA

C O N F I D E N T I A L SECTION 1 OF 2 WARSAW 1656

DEPARTMENT PASS TO EX- IM BANK

VIENNA FOR EXIM - DIETZ

E. O. 11652: GDS

TAGS: BCOM, EFIN, ETRD, PL

SUBJECT: EX- IM BANK PRESIDENT KEARNS' S MEETING WITH
POLISH PREMIER, APRIL 6

1. PRIME MINISTER PIOTR JAROSZEWICZ RECEIVED PRESIDENT KEARNS FOR A ONE- HOUR DISCUSSION OF POLAND' S RELATIONS WITH THE EXPORT- IMPORT BANK. FINANCE MINISTER STEFAN JEDRYCHOWSKI AND THE AMBASSADOR ATTENDED THE MEETING. (ZEBRUZUSKI WAS THE INTERPRETER.) SALIENT POINTS OF THE DISCUSSION FOLLOW.

2. WELCOMING PRESIDENT KEARNS, JAROSZEWICZ SAID THAT, AS ONE IMPORTANT CONSEQUENCE OF PRESIDENT NIXON' S VISIT TO WARSAW NEARLY A YEAR AGO, POLAND' S RELATIONSHIP WITH EX- IM BANK HAD BEEN RENEWED. IN POLAND, THE BANK WOULD FIND A GOOD PARTNER, WHICH WOULD CAUSE IT NO TROUBLE.

3. POLAND ATTACHES GREAT IMPORTANCE TO THE DEVELOPMENT OF
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ECONOMIC RELATIONS WITH THE WEST AND WISHES TO DEVELOP

THOSE RELATIONS STILL FURTHER. DURING THE LAST TWO YEARS, POLAND'S EXPORTS TO THE WEST HAVE GROWN BY 30 PERCENT. IN PARTICULAR, POLAND WISHES TO INCREASE ITS EXPORTS TO THE UNITED STATES.

4. AS PART OF THIS GROWING ECONOMIC RELATIONSHIP WITH THE WEST, POLAND WANTS TO DEVELOP GOOD BANKING AND CREDIT RELATIONSHIPS. AS A SOCIALIST COUNTRY AND A MEMBER OF THE GROUP OF SOCIALIST COUNTRIES, POLAND BELONGS TO THE COMECON BANK IN MOSCOW, WHICH IS ACCUMULATING RESERVES AND WHICH, IN CASE OF NEED, CAN PROVIDE POLAND WITH NECESSARY CREDITS. SUCH, FOR EXAMPLE, WAS THE CASE TWO YEARS AGO, WHEN POLAND URGENTLY NEEDED TO IMPORT LARGE QUANTITIES OF FOOD-STUFFS. THE NECESSARY CREDITS WERE MADE AVAILABLE BY THE COMECON BANK AND THE URGENT NEED WAS SUCCESSFULLY MET. THIS FACILITY, HOWEVER, DOES NOT OBTAIN THE NEED FOR THE DEVELOPMENT OF RELIABLE BANKING RELATIONSHIPS IN THE WEST. THE POLES WANT TO BE GOOD BUSINESSMAN AS WELL AS GOOD POLITICIANS.

5. IN ADDITION TO INCREASING ITS EXPORTS TO THE WEST, AND TO THE U. S. IN PARTICULAR, POLAND ALSO HAS WELL-DEVELOPED PLANS FOR SUBSTANTIAL IMPORTS. IMMEDIATELY FOLLOWING HIS MEETING WITH PRESIDENT KEARNS, THE PREMIER WOULD GO UP TO THE FIFTH FLOOR OF THE VERY BUILDING IN WHICH THEY WERE HOLDING THE PRESENT DISCUSSION IN ORDER TO PRESIDE OVER A REVIEW IN WHICH THE INDUSTRIAL MINISTERS WOULD PRESENT THEIR PLANS FOR IMPORTS FROM THE WEST. DURING PRESIDENT NIXON'S VISIT, THE POLISH SIDE HAD PROVIDED A LIST OF ITS DESIRES FOR THE PURCHASE OF MACHINERY FROM THE UNITED STATES. IT WAS NOW POSSIBLE TO PROVIDE THE UNITED STATES GOVERNMENT WITH THE LATEST VERSION OF THAT LIST. THERE HAD BEEN SOME PROBLEMS IN PLACING FIRM ORDERS FOR SOME TYPES OF AMERICAN EQUIPMENT. THIS HAD BEEN THE CASE PARTICULARLY WITH REGARD TO EQUIPMENT IN THE ELECTRONIC FIELD. HOWEVER, THESE PROBLEMS APPEAR TO BE ON THEIR WAY TO SOLUTION. POLAND WAS PLEASED TO HAVE BEEN INFORMED RECENTLY OF U. S. GOVERNMENT APPROVAL FOR ONE SUCH IMPORTANT PURCHASE (THE REFERENCE WAS CLEARLY TO THE CYBER -72 CASE). JAROSZEWICZ
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COULD INFORM PRESIDENT KEARNS THAT THE EQUIPMENT POLAND DESIRED TO PURCHASE WAS INTENDED EXCLUSIVELY FOR PEACEFUL USES. POLISH PURCHASES OF US EQUIPMENT NOT ONLY HELPED POLAND ACHIEVE ITS GOALS, BUT ALSO WOULD CONSTITUTE A GOOD ADVERTISEMENT FOR THE US IN EUROPE. AN EXAMPLE WAS THE CORFAM PLANT, THE LICENSE FROM WHICH HAD BEEN ACQUIRED FROM THE US.

6. IT WAS IN THIS CONTEXT THAT THE POLISH GOVERNMENT FELT SOME CONCERN AT HAVING BEEN PLACED BY EX- IM BANK IN CATEGORY C. POLAND WAS A GOOD PAYER AND HAD A GOOD REPUTATION AS A CREDITOR. IT WAS THEREFORE DISAPPOINTING TO LEARN THAT IT HAD BEEN PLACED BY THE BANK IN THE THIRD OF FOUR CATEGORIES. POLAND' S WESTERN EUROPEAN BANKING PARTNERS RATED ITS CREDITWORTHINESS HIGHER THAN THAT AND JAROSZEWICZ WISHED THAT EX- IM BANK COULD CONSIDER THIS EQUATION AGAIN AND SEE WHAT COULD BE DONE ABOUT IT. THIS WAS IMPORTANT TO POLAND NOT BECAUSE IT WAS A MATTER OF NATIONAL PRESTIGE, BUT BECAUSE IT COULD AFFECT THE TERMS ON WHICH POLAND COULD FINANCE ITS IMPORTS FROM THE U. S.

7. THERE WAS ALSO THE QUESTION OF THE RESTRICTION ON SHIPPING. JAROSZEWICZ WOULD APPRECIATE PRESIDENT KEARNS' EFFORTS TO ENSURE THAT THIS RESTRICTION NOT HAMPER THE DEVELOPMENT OF POLISH- US TRADE.

8. JAROSZEWICZ WISHED TO STRESS ONE THING: THE PRINCIPAL PURPOSE OF THE GOVERNMENT WAS THAT OF RAISING THE LIVING STANDARDS OF THE POLISH PEOPLE. CONSIDERABLE PROGRESS HAD BEEN MADE DURING THE PAST TWO YEARS TOWARDS THIS GOAL; INDEED, THE PLANS OF THE POLISH GOVERNMENT IN THIS AREA, PROJECTED FOR FULFILLMENT ONLY AT THE END OF 1975, HAD ALREADY BEEN ACHIEVED. AS PRESIDENT KEARNS WAS AWARE, WAGES IN POLAND WERE STILL QUITE LOW, BY COMPARISON WITH WESTERN COUNTRIES. IT WAS THEREFORE A PLEASURE TO BE ABLE TO STATE THAT THE PRESIDUM OF THE GOVERNMENT HAD TODAY DECIDED TO RAISE WAGES FOR WORKERS IN LIGHT INDUSTRY AND IN CONSTRUCTION. IN VIEW OF THE LOW STANDARD OF LIVING IN THE COUNTRY, IT WAS NECESSARY TO MOVE FORWARD RAPIDLY AND THIS WAS THE GOVERNMENT' S FIRM INTENTION.

9. WELCOMING PRESIDENT KEARNS AGAIN, JAROSZIEWICZ SAID THAT
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HE REGARDED THIS VISIT AS A HARBINGER OF GOOD WORKING RELATIONS BETWEEN EX- IM BANK AND POLAND. IT WAS PARTICULARLY IMPORTANT THAT IT HAD COME AT THIS TIME, SINCE, AS PRESIDENT KEARNS MIGHT ALREADY HAVE HEARD, POLAND HAD THE INTENTION OF SEEKING SOME \$200 MILLION IN CREDITS FROM THE US THIS YEAR. TURNING TO JEDRYCHOWSKI GOOD- HUMOREDLY, JAROSZEWICZ SAID THAT SOME POLISH ECONOMISTS ESTIMATED THAT THE FIGURE WOULD IN FACT BE A GOOD DEAL MORE THAN THAT. JEDRYCHOWSKI AGREED.

10. IN REPLY, MR. KEARNS FIRST SPOKE WARMLY ABOUT POLAND' S LONG HISTORY, THE STAUNCH CHARACTER OF THE POLISH PEOPLE, AND THE SPECIAL TIE THAT EXISTED BETWEEN THE TWO COUNTRIES IN THE FORM OF AMERICAN POLONIA. HAVING HEARD FROM COLLEAGUES AT HIS BANK WHO HAD A MUCH LONGER EXPERIENCE OF ITS ACTIVITIES THAN HE ABOUT THE EXCELLENT EXPERIENCE IT HAD HAD WITH

POLAND IN THE PAST, THE BANK HAD BEEN READY AND
HAPPY TO RESUME RELATIONS WITH POLAND. WHEN THE PRESIDENT
MADE HIS DETERMINATION PERMITTING THIS, THE BANK HAD BEEN
SOMETHING LIKE A MAIDEN WAITING TO BE WOODED.

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ACTION XMB-07

INFO OCT-01 EUR-25 ADP-00 AID-20 EB-11 NSC-10 RSC-01

CIEP-02 TRSE-00 SS-15 STR-08 OMB-01 CEA-02 CIAE-00

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SAL-01 L-03 H-02 AGR-20 GAC-01 PRS-01 FMC-04 ACDA-19

RSR-01 /186 W

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FM AMEMBASSY WARSAW
TO SECSTATE WASHDC 0000
INFO AMEMBASSY VIENNA

C O N F I D E N T I A L SECTION 2 OF 2 WARSAW 1656

11. WITH REGARD TO POLAND' S CREDIT CLASSIFICATION, MR.
KEARNS WAS HAPPY TO BE ABLE OFFICIALLY TO INFORM THE PRIME
MINISTER THAT POLAND HAD BEEN PLACED IN CATEGORY B. WHEN
THE BANK AGAIN BEGAN TO DEAL WITH POLAND, IT HAD HAD
INSUFFICIENT CURRENT INFORMATION ON POLAND' S FOREIGN TRANS-
ACTION. THE BANK' S RESPONSIBILITIES AND ACCOUNTABILITY
TO THE CONGRESS DICTATED THAT IT BE ABLE TO JUSTIFY ITS
TRANSACTIONS TO THE SATISFACTION OF THE GENERAL ACCOUNTING
OFFICE AND CONGRESS. ITS ABILITY TO CONTINUE TO OBTAIN THE
NECESSARY AUTHORIZATIONS FROM CONGRESS MADE IT ESSENTIAL FOR
THE BANK TO ACT IN A FULLY RESPONSIBLE FASHION AND THE
MAINTENANCE OF ITS RECORD IN IS REGARD WAS IN THE INTEREST
OF THE COUNTRIES WITH WHICH IT HAS RELATIONS. NOW, HOWEVER,
POLISH BANKING OFFICIALS HAD SUPPLIED THE NECESSARY INFORMA-
TION AND HAD MADE POSSIBLE THE ASSIGNMENT OF A CLASSIFICATION
WHICH ENTITLED POLAND TO THE FULL SERVICE OF ALL THE BANK' S
FACILITIES. CATEGORY B CLASSIFICATION WAS THAT ASSIGNED ALL
FULLY CREDITWORTHY PARTNERS EXCEPT THOSE, LIKE JAPAN AND THE
FEDERAL REPUBLIC OF GERMANY, WHICH HAD SURPLUS DOLLAR
BALANCES.

12. THERE WAS, HOWEVER, STILL ONE PROBLEM IN THE AREA OF
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INFORMATION. THE BANK DID NOT IMPOSE ANY FIXED LIMIT ON THE AMOUNT OF CREDIT IT WAS PREPARED TO GRANT ANY OF ITS PARTNERS, BUT CONSIDERED APPLICATIONS ON A CASE-BY-CASE BASIS. IN THE CASE OF A COUNTRY SUCH AS POLAND, WHICH WAS DEVELOPING RAPIDLY, IT WAS THE BANK'S EXPERIENCE THAT THE NEED FOR CREDIT ALSO INCREASED RAPIDLY. THERE WAS NO PROBLEM NOW IN GIVING FAVORABLE CONSIDERATION TO POLISH APPLICATIONS, BUT AS THE NEED FOR CREDIT GREW IT WOULD PROVE NECESSARY TO CONSIDER THE QUESTION OF RESERVES. MR. KEARNS UNDERSTOOD THAT 17 PERCENT TO 19 PERCENT OF POLAND'S HARD CURRENCY EARNINGS WERE REQUIRED ANNUALLY FOR SERVICING POLAND'S DEBT IN THE WEST. THE BANK FELT THAT, WHEN THE AMOUNT REQUIRED FOR ANNUAL SERVICING OF EXTERNAL DEBT ROSE ABOVE 20 PERCENT, IT WAS NECESSARY TO LOOK AT THE PROBLEM OF RESERVES. IN A DISCUSSION EARLIER IN THE DAY, HE HAD USED THE ANALOGY OF A SHIP. IT WAS AS THOUGH, WHEN THE 20 PERCENT LEVEL WAS EXCEEDED, THE SHIP'S ALARM SYSTEM WAS ACTIVATED. IF THE SHIP WERE SOUND AND PROPERLY RUN, THERE MIGHT BE NOTHING TO WORRY ABOUT AND THE LEVEL COULD SAFELY RISE HIGHER THAN 20 PERCENT. IT WAS NEVERTHELESS DESIRABLE AT THE POINT TO CHECK THE CONDITION OF THE LIFEBOATS. THE LIFEBOATS WERE THE RESERVES; IF THEY WERE FOUND IN GOOD ORDER, THEN A LEVEL IN EXCESS OF 20 PERCENT MIGHT SAFELY BE AUTHORIZED. RESPONSIBLE MANAGEMENT ON THE BANK'S PART NECESSITATED THAT CONSIDERATIONS BE GIVEN TO THIS PROBLEM, SO AS TO ENSURE THAT THERE WAS ADEQUATE PROTECTION AGAINST EMERGENCIES. THE BANK WAS INTERESTED IN THIS KIND OF INFORMATION SOLELY FOR ITS OWN CONFIDENTIAL USE; IT WOULD NOT BE PASSED ON TO OTHER AGENCIES. THE BANK DID NOT REQUIRE A BREAKDOWN AS BETWEEN GOLD AND OTHER KINDS OF ASSETS. IT WAS DOING BUSINESS WITH 140 COUNTRIES AND, EXCLUDING POLAND, RECEIVING THIS KIND OF INFORMATION FROM ALL OF THEM EXCEPT ONE (THE USSR).

13. WITH REGARD TO THE MARINE-SHIPPING CLAUSE, MR. KEARNS HAD DISCUSSED THIS WITH HIS DISCUSSION PARTNERS AT THE BANK HANDLOWY AND WAS SURE THAT THE PROVISIONS IT IMPOSED COULD BE COMPLIED WITH. THERE WAS ENOUGH FLEXIBILITY TO ENABLE TRADE TO FLOW WITHOUT GREAT DIFFICULTY. AFTER ALL, EX-IM BANK'S 140 FOREIGN PARTNERS WERE ABLE TO SHIP THEIR PURCHASES WITH NO SIGNIFICANT DELAYS. THIS PROBLEM WAS MANAGEABLE. THE REGULATION WAS IMPOSED BY CONGRESS AND COULD NOT BE CHANGED BY EX-IM BANK BUT IN THE REGULATION, CONFIDENTIAL

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EXEMPTIONS CAN BE GRANTED WHEN JUSTIFIED. EX-IM BANK, WORKING WITH BANK HANDLOWY, CAN USE THESE EXEMPTIONS AS NEEDED.

14. JAROSZEWICZ WARMLY EXPRESSED HIS GRATIFICATION AT POLAND'S RECLASSIFICATION AND THE GRATITUDE OF HIS GOVERNMENT TO THE US GOVERNMENT AND EX-IM BANK. HE WAS PLEASED TO HEAR THERE WAS SUFFICIENT FLEXIBILITY TO IMPLEMENT THE MARINE-SHIPPING CLAUSE IN A MANNER WHICH WOULD NOT DELAY OR HAMPER THE FLOW OF TRADE. JAROSZEWICZ SAID HE RECOGNIZED THAT DOING BUSINESS WITH A SOCIALIST COUNTRY LIKE POLAND, THE ECONOMY OF WHICH OPERATED WITH A NON-CONVERTIBLE CURRENCY, PRESENTED PROBLEMS FOR A BANK SUCH AS EX-IM. AS PRESIDENT KEARNS KNEW, THE POLISH GOVERNMENT DID NOT PUBLISH DATA ON ITS RESERVES. TURNING TO JEDRYCHOWSKI, HE ASKED WHAT THE APPROXIMATE LEVEL OF POLISH RESERVES MIGHT BE. WITH EVIDENT RELUCTANCE AND HESITATION, JEDRYCHOWSKI SAID THEY WERE AROUND "A COUPLE OF PERCENT" OF TOTAL POLISH HARD-CURRENCY TRADE. JAROSZEWICZ SAID THAT BEST GUARANTEE OF POLISH CREDITWORTHINESS WAS WHAT PRESIDENT KEARNS HAD SEEN IN HIS BRIEF VISIT AND THE VISIBLE PROGRESS THE POLISH GOVERNMENT WAS MAKING. HE WAS SURE THAT THIS WAS CLEARLY REFLECTED IN THE EMBASSY'S REPORTING. POLAND'S WESTERN EUROPEAN PARTNERS DID NOT REQUIRE THIS KIND OF INFORMATION. NEVERTHELESS, HE UNDERSTOOD THAT EX-IM BANK HAD CERTAIN FORMAL REQUIREMENTS AND THE POLISH GOVERNMENT WOULD CAREFULLY STUDY TO THE POSSIBILITY OF COMPLYING WITH PRESIDENT KEARNS' REQUEST.

15. MR. KEARNS SAID THAT THERE WAS NO HURRY ABOUT THIS. EX-IM HAD PLENTY OF RESOURCES TO MEET POLAND'S CURRENT NEEDS. THIS WAS A QUESTION THAT INVOLVED THE FUTURE SUCCESSFUL DEVELOPMENT OF POLAND'S RELATIONSHIP WITH THE BANK AND IT WAS POSSIBLE TO PROCEED WITHOUT DIFFICULTY ON THE BASIS OF PRESENT INFORMATION. WITH REGARD TO POLAND'S OTHER WESTERN PARTNER, HE WOULD SIMPLY SAY THAT EX-IM BANK WAS ABLE TO OFFER RESOURCES AND TERMS WELL BEYOND WHAT WAS AVAILABLE ELSEWHERE.

16. JAROSZEWICZ REPEATED THAT THE GOVERNMENT WOULD GIVE CAREFUL CONSIDERATION TO WHAT PRESIDENT KEARNS HAD SAID.

17. IN PARTING, THE PRIME MINISTER ASKED MR. KEARNS TO GIVE HIS REGARDS AND THOSE OF MR. GIERKE AND THE WHOLE GOVERNMENT

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TO PRESIDENT NIXON. PRESIDENT KEARNS SAID HE WOULD BE SEEING THE PRESIDENT AT DINNER ON APRIL 10 AND WOULD CERTAINLY CONVEY THIS MESSAGE. THE PRIME MINISTER THEN CONDUCTED THE PARTY FROM THE CONFERENCE ROOM IN WHICH THE DISCUSSION WAS HELD INTO HIS OWN OFFICE, NEARBY, TO SHOW PRESIDENT KEARNS WHERE THE PRESIDENT AND HIS ADVISORS HAD MET WITH GIERKE AND HIM FOR THEIR DISCUSSIONS LAST YEAR. HE SAID THE FURNITURE IN HIS OFFICE HAD BEEN REARRANGED FOR THAT MEETING AND HAD SINCE BEEN LEFT AS IT WAS WHEN THE PRESIDENT HAD BEEN THERE. HE

TOOK LEAVE OF PRESIDENT KEARNS WARMLY WITH THE REPEATED
EXPRESSION OF THE TOAST HE HAD USED DURING THE DISCUSSION--
TO " GOOD PARTNERSHIP" BETWEEN THE U. S. AND POLAND AND EX- IM
BANK AND POLAND.
DAVIES

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